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Message Text

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15
ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01

DRC-01 NIC-01 SAJ-01 /185 W
---------- 099802
R 230845Z JUL 74
FM AMCONSUL HONG KONG
TO SECSTATE 1613
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY OTTAWA
USLO PEKING
AMEMBASSY TAIPEI
AMEMBASSY TOKYO

UNCLAS HONG KONG 8282

E.O. 11652: N/A
TAGS: ETRD CH
SUBJ: PRC FIRST QUARTER 1974 TRADE RETURNS

SUMMARY: THE PRC'S 1974 FIRST QUARTER TRADE WITH ITS SIX PRINCIPAL TRADE PARTNERS (JAPAN, U.S., HONG KONG, WEST GERMANY, U.K., CANADA) REGISTERED A SHARP INCREASE IN VALUE OVER FIRST QUARTER 1973. FIRST QUARTER PRC IMPORTS FROM THE SIX WERE UP 94 PERCENT TO $838.4 MILLION WHILE PRC EXPORTS TO THE SIX ROSE 56 PERCENT TO $685 MILLION. IN CY 1973, THESE SAME SIX COUNTRIES ACCOUNTED FOR APPROXIMATELY 53 PERCENT OF CHINA'S IMPORTS, 49 PERCENT OF CHINA'S EXPORTS, AND 51 PERCENT OF ITS TOTAL TRADE. IF A SIMILAR PERFORMANCE IS PRO-JECTED FOR THE FULL YEAR IN DIRECTION AND VALUE OF TRADE, THE PRC WOULD REGISTER A TOTAL TRADE DEFICIT OF
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ABOUT US$750 MILLION WITH AN ALMOST $12 BILLION IN TOTAL

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WORLD TRADE. END SUMMARY.

1. THE PRC'S 1974 FIRST QUARTER TRADE WITH ITS SIX PRINCIPAL TRADE PARTNERS (JAPAN, U.S., HONG KONG, WEST GERMANY, U.K., CANADA) HAS REGISTERED A SHARP INCREASE IN VALUE OVER FIRST QUARTER 1973 RETURNS. U.S. AND OTHER STATISTICS MADE AVAILABLE IN HONG KONG SHOW THAT DURING THE FIRST QUARTER PRC IMPORTS FROM THE SIX ROSE BY 94 PERCENT TO $838.4 MILLION, WHILE PRC EXPORTS TO THE SIX INCREASED BY 56 PERCENT TO $685 MILLION, RESULTING IN A DEFICIT OF $153.4 MILLION. BY CONTRAST IN FIRST QUARTER 1973 PRC TRADE WITH THE SIX SHOWED A SLIGHT SURPLUS OF $8.5 MILLION. IN CY 1973 THESE SAME SIX COUNTRIES ACCOUNTED FOR 53 PERCENT OF CHINA'S IMPORTS, 49 PERCENT OF ITS EXPORTS, AND 51 PERCENT OF ITS TOTAL TRADE.

2. ON A COUNTRY-BY-COUNTRY BASIS, FIRST QUARTER PRC TRADE (IN MILLIONS OF U.S. DOLLARS WITH PERCENTAGE CHANGE OVER FIRST QUARTER 1973 IN PARENTHESES) WERE AS FOLLOWS:

	IMPORTS FROM	EXPORTS TO	BALANCE 1974	BALANCE 1973
JAPAN	306.1 (PLUS 34)	281.3 (PLUS 76)	- 24.8	- 67.8
U. S.	363.6 (PLUS 756)	20.1 (PLUS 44)	-343.5	- 28.5
HONG KONG	4.8 (PLUS 336)	277.5 (PLUS 38) (INCLUDES $79.1 MILLION WORTH OF CHINA-ORIGIN GOODS RE-EXPORTED ELSE-WHERE FROM HONG KONG.)	PLUS 272.7	PLUS 199.8
W. GERMANY	65.3 (PLUS 3)	38.7 (PLUS 22)	- 26.6	- 31.7
U. K.	40.8 (PLUS 8)	54.2 (PLUS 132)	PLUS 13.4	- 14.4
CANADA	57.8 (- 2)	13.2 (PLUS 29)	- 44.6	- 48.9
TOTAL	838.4 (PLUS 94)	685.0 (PLUS 56)	PLUS -153.4	8.5

3. NATURALLY, A GOOD PORTION OF THE HIGHER LEVEL OF
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TRADE REFLECTS INFLATIONARY PRICE RISES OVER THE PAST YEAR. (FOR A GENERAL COMPARISON, HONG KONG IMPORTS FOR THE FIRST QUARTER OF 1974 WENT UP 35 PERCENT IN VALUE OVER FIRST QUARTER 1973.) MOST OF THE PRC'S FIRST QUARTER TRADE IMBALANCE IS ATTRIBUTABLE TO THE HUGE INCREASE IN U. S. SHIPMENTS OF AGRICULTURAL PRODUCTS. IMPORTS FROM OTHER COUNTRIES, WITH THE EXCEPTION OF HONG KONG (WHERE PRC PURCHASES INCREASED OVER ALOW

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BASE), GAINED AT A MORE MODEST RATE. USING THESE FIRST QUARTER STATISTICS, IF WE PROJECT A SIMILAR PERFORMANCE FOR THE FULL YEAR IN DIRECTION AND VALUE OF TRADE, THE PRC WOULD RUN A TRADE DEFICIT OF ABOUT US$750 MILLION WITH A TOTAL TWO-WAY TRADE OF ALMOST $12 BILLION. (THIS ASSUMES THAT THE PRC'S SIX PRINCIPAL TRADE PARTNERS WOULD ACCOUNT FOR ROUGHLY THE SAME PERCENTAGE OF THE PRC'S TRADE DEFICIT IN 1974 AS THEY DID IN 1973, WHICH WE ESTIMATE AT ABOUT 81 PERCENT.) THIS PROJECTION IS ONLY MEANT AS A ROUGH GUIDE TO CHINA'S 1974 TRADE OUTLOOK, AND THERE ARE A NUMBER OF FACTORS NOT EVIDENT IN THE FIRST QUARTER STATISTICS THAT COULD ALTER THE FINAL TRADE RESULTS. THESE INCLUDE: AN EVEN HIGHER LEVEL OF AGRICULTURAL IMPORTS (THOUGH NOT NECESSARILY FROM THE U. S.) AS CANADIAN AND AUSTRALIAN WHEAT DELIVERIES TAKE EFFECT; INCREASED IMPORTS OF MACHINERY AND EQUIPMENT,PARTICULARLY FROM WESTERN EUROPE AND JAPAN, AS DELIVERIES BEGIN ON THE LARGE NUMBER OF COMPLETE PLANTS PURCHASED IN 1973; A PERHAPS LOWER RATE OF EXPORTS DEPENDING ON HOW MUCH SALES AT THE SPRING CANTON FAIR DECLINED; EXPANDED EXPORTS OF PETROLEUM TO JAPAN AND PETROLEUM PRODUCTS TO SOUTHEAST ASIAN COUNRIES, WHICH COULD MORE THAN OFFSET POORER EXPORT PERFORMANCE IN OTHER SECTORS.
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